

# BMW Group

October 23, 2013

Mr. Richard Corey  
Executive Officer  
California Air Resources Board  
1001 I Street  
Sacramento, California 95814

## Re: BMW Comments on the Proposed Modifications to the California Zero Emission Vehicle Regulation

Dear Mr. Corey,

On behalf of BMW AG, BMW of North America, LLC (BMW) appreciates the opportunity to comment on the proposed 2013 minor modifications to the Zero Emission Vehicle (ZEV) Regulation. BMW supports the comments submitted by the Alliance of Automobile Manufacturers ("Alliance"). The comments provided herein supplement those of the Alliance.

On September 5<sup>th</sup>, 2013 the staff of the California Air Resources Board (ARB) published the Initial Statement of Reasons for this rulemaking. BMW supports ARB's proposed revisions which increase the flexibility of the Alternative Compliance Path also known as the Pool Provision. These would allow trading and transferring of credits within and between each regional pool for Model Years 2012-17 in place of a single model year.

Further, BMW welcomes the addition of clarifying language for the specific requirements applicable to Intermediate Volume Manufacturers who choose the Alternative Compliance Path in MY 2012-17 through the placement of ZEVs dedicated to Section 177 states. In the light of more stringent ZEV requirements and the elimination of the Travel Provision for PEVs starting in MY 2018, the flexibility provided by the Pool Provision is needed to enable manufacturers to implement successful compliance strategies in the developing Section 177 state ZEV markets. In this regard, BMW supports ARB's efforts to work with these states on their ZEV readiness and creation of a multi-state ZEV Action Plan.

Unfortunately, the Staff report is proposing amendments to introduce a cap provision in subsection §1962.2(g)(6)(D). The proposed cap provision would require that starting in MY 2018, "non-pure" ZEV credits may only be used to meet 50% of a manufacturer's minimum ZEV requirement in a given model year. In the staff proposal, the three credit categories of BEVx Credits, Transportation System Credits from ZEVs, and GHG-ZEV Over-compliance Credits are bundled together and proposed to be subject to an overall cap of 50% superimposed on the current caps already in place for each of these three categories.

BMW believes the cap provision will burden manufacturers unnecessarily by reducing the flexibilities needed to ensure compliance with the ZEV mandate both in California and Section 177 states.

**Company**

BMW of North America, LLC

BMW Group Company

**Office address**

200 Chestnut Ridge  
Road  
Woodcliff Lake, NJ 07677

**Telephone**

(201) 571-5071

**Fax**

(201) 571-5479

**E-mail**

Christoph.Huss@bmwna.com



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BMW strongly disagrees with the staff assessment that not placing an overall cap on the use of "non-ZEV" credits might result in a lack of ZEVs in California in certain model years. BMW believes the so-called "non-ZEV" credits generated by placement in service of BEVx vehicles in the market or through placement of intelligent car sharing services of ZEVs both target customer groups and market segments which would otherwise shy away from the purchase or lease of a ZEV.

In the ZEV amendments adopted in 2012, the staff identified BEVx as a vehicle with electric range comparable to full function BEV with the potential for strong zero emissions mileage performance. If the goal of the ZEV regulation is successful commercialization of Zero Emission Vehicles in California, limiting the compliance flexibility provided by Transportation System (TS) ZEV credits and BEVx ZEV credits will impede the penetration of consumer demographics these alternative technologies and services would serve, thus reducing substantially zero-emission vehicle miles traveled by the overall California fleet. BMW sees both the BEVx vehicle category and transportation system of ZEVs as real alternatives and enablers to bring Zero Emission Mobility beyond the early adopter consumers to a broader consumer base otherwise skeptical of ZEVs, and therefore, essential to achieving higher ZEV market penetration.

Finally, both the transportation system ZEVs and BEVx require long-term investments, costly advanced technologies, and efforts in establishment of new products in the market place. These compliance flexibilities in the current ZEV mandate involve substantial costs for manufacturers and serve as 'fall back' solutions should the pure BEV market not be as large as mandated by the regulation. The existing caps of 10% for TS ZEV credits and 50% for BEVx credits in fulfilling the minimum ZEV floor are already strong limitations in place. Putting a 50% overall cap on the bundle of these provisions only limits manufacturer's flexibility should the BEV and FCV demand not be as high as hoped for by those manufacturers heavily investing in these new products.

BMW respectfully requests that ARB consider the removal of the cap provision from the proposed language. We are committed to working constructively with ARB on this matter. If you should have any questions please contact me or Dr. Azita Khalili at (805) 271-7314.

Sincerely,



Christoph Huss  
Vice President, Engineering - US

cc: Mary Nichols  
Dr. Alberto Ayala  
Annette Herbert  
Analisa Bevan  
Elise Keddie